

Township of Attica

Lapeer County, Michigan

Audited Financial Report
June 30, 2008

Lehn L. King

Certified Public Accountant
Marlette, Michigan

Township of Attica
Annual Financial Report
For The Fiscal Year Ended June 30, 2008

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Members of the Township Board

Township of Attica

Lapeer County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Attica, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Attica, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Attica, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Attica, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Lehn King

Lehn L. King
Certified Public Accountant

September 9, 2008

Township of Attica

Attica, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Attica's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$402,326.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Attica's fund balances are as follows:

	June 30, 2008	June 30, 2007
General Fund	\$ 402,326	\$ 438,833
Public Safety Millage Fund	20,497	76,422
Fire Millage Fund	(12,550)	(70,571)
Lake George Special Assessment Debt Service Fund	3,691	6,862
Total for Township	<u>\$ 413,964</u>	<u>\$ 451,546</u>

Township of Attica

Attica, Michigan

Governmental Activities

The Township of Attica's Revenues and Expenditures can be summarized as follows:

	General Fund	Public Safety Millage Fund	Fire Millage Fund	Lake George Special Assessment Debt Service Fund	Totals
Fund Balances - Beginning of Year	\$ 437,833	\$ 76,422	\$ (70,571)	\$ 6,862	\$ 450,546
Revenue Collected					
Property Taxes	272,094	158,068	142,908	-	573,070
State Shared Revenue	320,229	-	-	-	320,229
Special Assessment	-	-	-	35,357	35,357
Charges for Services	48,021	-	26,669	-	74,690
Interest Earnings	13,511	193	-	7	13,711
Other	16,575	-	-	-	16,575
Transfers	-	2,508	-	-	2,508
Total Revenue Collected	670,430	160,769	169,577	35,364	1,036,140
Expenditures					
General Government	309,601	-	-	-	309,601
Public Safety	54,851	121,692	111,556	-	288,099
Public Works	277,542	-	-	280	277,822
Recreation & Culture	36,363	-	-	-	36,363
Capital Outlay	16,606	-	-	-	16,606
Debt Service	8,465	95,002	-	38,255	141,722
Transfers	2,508	-	-	-	2,508
Total Expenditures	705,936	216,694	111,556	38,535	1,072,721
Fund Balances - End of Year	\$ 402,327	\$ 20,497	\$ (12,550)	\$ 3,691	\$ 413,965

Township of Attica

Attica, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Attica's 2008/2009 adopted budget is similar to prior year budgets.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at P.O. Box 86, Attica, Michigan.

Township of Attica

Statement of Net Assets (Deficit)

June 30, 2008

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 439,358.45
Accounts Receivable	50,564.00
Special Assessment Receivable	188,124.72
Due From Other Funds (Net)	15,431.99
Capital Assets (Net of Accumulated Depreciation)	<u>1,678,823.43</u>
 <u>Total Assets</u>	 <u><u>\$ 2,372,302.59</u></u>
 <u>Liabilities</u>	
Accounts Payable	\$ 91,389.32
Current Portion of Long-Term Debt	124,512.13
Noncurrent Liabilities:	
Long-Term Debt	<u>155,000.00</u>
 <u>Total Liabilities</u>	 <u><u>370,901.45</u></u>
 Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	1,399,311.30
Unrestricted	<u>602,089.84</u>
 <u>Total Net Assets (Deficit)</u>	 <u><u>\$ 2,001,401.14</u></u>

The notes are an integral part of the statements.

Township of Attica
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for	Operating	Capital	Primary Government
	Expenses	Services	Grants & Contributions	Grants & Contributions	Governmental Activities
<u>Functions/Programs</u>					
Primary Government:					
Governmental Activities:					
General Government	\$ 328,474.42	\$ 67,540.38	\$ -	\$ -	\$ (260,934.04)
Public Safety	372,293.80	7,150.00	-	-	(365,143.80)
Public Works	277,821.86	-	-	-	(277,821.86)
Recreation & Culture	73,972.25	-	-	-	(73,972.25)
Interest on Long-Term Debt	15,402.56	-	-	-	(15,402.56)
<u>Total Governmental Activities</u>	<u>\$ 1,067,964.89</u>	<u>\$ 74,690.38</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(993,274.51)</u>
General Revenues:					
Property Taxes					\$ 573,069.37
State Shared Revenues					320,229.00
Special Assessment Interest					9,106.96
Interest					13,711.13
Other Revenues					16,574.58
Transfers					-
Total General Revenues, Special Items & Transfers					<u>932,691.04</u>
Change in Net Assets					(60,583.47)
Net Assets (Deficit) - Beginning of Year					<u>2,061,984.61</u>
Net Assets (Deficit) - End of Year					<u>\$ 2,001,401.14</u>

The notes are an integral part of the statements.

Township of Attica

Governmental Funds

Balance Sheet

June 30, 2008

	General Fund	Public Safety Millage Fund	Fire Millage Fund	Lake George Special Assessment Debt Service Fund	Total Governmental Funds
<u>Assets</u>					
Cash & Certificates of Deposit	\$ 415,169.87	\$ 20,497.15	\$ -	\$ 3,691.43	\$ 439,358.45
Accounts Receivable	50,564.00	-	-	-	50,564.00
Due From Other Funds	27,981.83	-	-	-	27,981.83
<u>Total Assets</u>	<u>\$ 493,715.70</u>	<u>\$ 20,497.15</u>	<u>\$ -</u>	<u>\$ 3,691.43</u>	<u>\$ 517,904.28</u>
<u>Liabilities & Fund Equity</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 91,389.32	\$ -	\$ -	\$ -	\$ 91,389.32
Due To Other Funds	-	-	12,549.84	-	12,549.84
<u>Total Liabilities</u>	<u>91,389.32</u>	<u>-</u>	<u>12,549.84</u>	<u>-</u>	<u>103,939.16</u>
<u>Fund Equity</u>					
Fund Balances					
- Unreserved & Undesignated	402,326.38	20,497.15	(12,549.84)	3,691.43	413,965.12
<u>Total Fund Balances</u>	<u>402,326.38</u>	<u>20,497.15</u>	<u>(12,549.84)</u>	<u>3,691.43</u>	<u>413,965.12</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 493,715.70</u>	<u>\$ 20,497.15</u>	<u>\$ 0.00</u>	<u>\$ 3,691.43</u>	<u>\$ 517,904.28</u>

The notes are an integral part of the statements.

Township of Attica
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended June 30, 2008

Total Fund Balances for Governmental Funds	\$ 413,965.12
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,678,823.43
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Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	188,124.72
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	<u>(279,512.13)</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,001,401.14</u></u>
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Township of Attica
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended June 30, 2008

	General Fund	Public Safety Millage Fund	Fire Millage Fund	Lake George Special Assessment Debt Service Fund	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$ 272,094.10	\$ 158,067.89	\$ 142,907.38	\$ -	\$ 573,069.37
State Shared Revenue	320,229.00	-	-	-	320,229.00
Special Assessment	-	-	-	35,356.96	35,356.96
Charges for Services	48,020.93	-	26,669.45	-	74,690.38
Interest Earnings	13,510.88	192.97	-	7.28	13,711.13
Other Revenues	16,574.58	-	-	-	16,574.58
<u>Total Revenues</u>	<u>670,429.49</u>	<u>158,260.86</u>	<u>169,576.83</u>	<u>35,364.24</u>	<u>1,033,631.42</u>
<u>Expenditures</u>					
General Government	309,600.94	-	-	-	309,600.94
Public Safety	54,851.32	121,691.64	111,555.97	-	288,098.93
Publics Works	277,542.13	-	-	279.73	277,821.86
Recreation & Culture	36,362.96	-	-	-	36,362.96
Capital Outlay	16,605.88	-	-	-	16,605.88
Debt Service - Principal	8,169.84	88,149.33	-	30,000.00	126,319.17
Debt Service - Interest	294.72	6,852.84	-	8,255.00	15,402.56
<u>Total Expenditures</u>	<u>703,427.79</u>	<u>216,693.81</u>	<u>111,555.97</u>	<u>38,534.73</u>	<u>1,070,212.30</u>
Excess of Revenues Over (Under) Expenditures	(32,998.30)	(58,432.95)	58,020.86	(3,170.49)	(36,580.88)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In (Out)	<u>(2,508.16)</u>	<u>2,508.16</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(35,506.46)	(55,924.79)	58,020.86	(3,170.49)	(36,580.88)
<u>Fund Balances - Beginning of Year</u>	<u>437,832.84</u>	<u>76,421.94</u>	<u>(70,570.70)</u>	<u>6,861.92</u>	<u>450,546.00</u>
<u>Fund Balances - End of Year</u>	<u>\$ 402,326.38</u>	<u>\$ 20,497.15</u>	<u>\$ (12,549.84)</u>	<u>\$ 3,691.43</u>	<u>\$ 413,965.12</u>

The notes are an integral part of the statements.

Township of Attica
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (36,580.88)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	16,605.88
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Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	126,319.17
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Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(26,250.00)
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Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	<u>(140,677.64)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (60,583.47)</u></u>
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The notes are an integral part of the statements.

Township of Attica
Statement of Net Assets (Deficit)
Fiduciary Funds
June 30, 2008

	Fiduciary Fund
	Agency Funds
	Tax Collection Fund
<u>Assets</u>	
Cash - Savings & Certificates	\$ 15,431.99
Due From Other Funds	-
<u>Total Assets</u>	<u>\$ 15,431.99</u>
<u>Liabilities & Fund Balance</u>	
<u>Liabilities</u>	
Due To Other Funds	\$ 15,431.99
<u>Total Liabilities</u>	<u>15,431.99</u>
<u>Fund Balances</u>	
Unreserved & Undesignated	-
<u>Total Fund Balances</u>	<u>-</u>
<u>Total Liabilities & Fund Balances</u>	<u>\$ 15,431.99</u>

The notes are an integral part of the statements.

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

The accounting methods and procedures adopted by the Township of Attica, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Attica was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Attica (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Safety Millage Fund - The fund accounts for a millage for public safety. Funding is provided primarily through a millage.

Fire Millage Fund - The fund accounts for the operations of the fire department. Funding is provided primarily through a millage.

Lake George Special Assessment Debt Service Fund - The fund accounts for the debt retirement of a bond issued for the Lake George capital project. Funding is provided primarily through a special assessment.

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

Additionally, the Township reports the following fund types:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These amounts are eliminated in the governmental activities column of the statement of net assets.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - Under agreements with the Township, individual employees have a vested right to receive payments for unused sick leave under formulas and conditions specified in the agreements. As of June 30, 2008, substantially all of these benefits had been paid and are reflected in the financial statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	15 to 50 years
Machinery & Equipment	5 to 20 years

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgets – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Two to three months prior to the beginning of the ensuing fiscal year, the Township Board reviews a proposed operating budget which includes proposed revenues and expenditures.
- Prior to the beginning of the ensuing fiscal year, the Township Board passes a general appropriations act reflecting the formal budget approval in accordance with the Michigan Uniform Budget Act.
- Budgets for the general and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States of America (GAAP).
- Budgeted amounts in this report are as originally adopted or as amended by the Township Board. Amendments were not material in relation to the original appropriations which were amended.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. Budgetary control is exercised at the functional level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended June 30, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund			
Public Works - Roads & Drains	\$ 203,651	\$ 277,542	\$ 73,891
Transfers Out	0	2,508	2,508

The Township did not adopt a budget for the Lake George Special Assessment Debt Service Fund for the year ended June 30, 2008.

Township of Attica

Notes to the Financial Statements
For The Year Ended June 30, 2008

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The Township did not adopt an investment policy in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 439,308	\$ 15,432	\$ 454,740

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CD's)	\$ 454,740
Total	\$ 454,740

The bank balance of the primary government's deposits is \$454,740, of which \$168,050 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately \$286,690 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At year end, the deposits and investments were reported in the basic financial statements.

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Township levied the following taxes:

General Government Services	1.4653	mills
Public Safety Millage	1.0000	mills
Fire Millage	0.9042	mills

The Township has a special assessment for the capital project on Lake George Road. There were 64 parcels on the original assessment and eight had been paid off as of June 30, 2008. The assessment for the year ending June 30, 2008 was \$594.45.

5. Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 15,432	Tax Collection Fund	\$ 15,432
General Fund	<u>12,550</u>	Fire Millage Fund	<u>12,550</u>
Total	<u><u>\$ 27,982</u></u>	Total	<u><u>\$ 27,982</u></u>

Interfund receivable and payable are not eliminated for financial presentation.

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Public Safety Millage Fund	\$ 2,508	General Fund	\$ 2,508

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

6. Capital Assets

Capital assets activity of the Township's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance June 30, 2008</u>
Governmental Activities:				
Capital Assets not being Depreciated:	\$ 214,650	\$ -	\$ -	\$ 214,650
Capital Assets being Depreciated:				
Buildings & Improvements	\$ 1,315,075	\$ -	\$ -	\$ 1,315,075
Machinery & Equipment	901,032	16,606	-	917,638
Total Capital Assets being Depreciated	<u>2,216,107</u>	<u>16,606</u>	<u>-</u>	<u>2,232,713</u>
Accumulated Depreciation:				
Buildings & Improvements	223,222	53,674	-	276,896
Machinery & Equipment	405,040	87,004	-	492,044
Total Accumulated Depreciation	<u>628,262</u>	<u>140,678</u>	<u>-</u>	<u>768,940</u>
Net Capital Assets being Depreciated	<u>1,587,845</u>	<u>(124,072)</u>	<u>-</u>	<u>1,463,773</u>
Net Total Capital Assets	<u><u>\$ 1,802,495</u></u>	<u><u>\$ (124,072)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,678,423</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 18,873
Public Safety	84,195
Recreation & Culture	37,609
Total Governmental Activities	<u><u>\$ 140,677</u></u>

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

7. Long-Term Debt

The following is a summary of the debt outstanding of the Township as of June 30, 2008:

	<u>Rate Ranges</u>	<u>Ranges</u>	<u>Balance</u>	<u>(Reductions)</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities						
General Obligation Bonds & Notes Payable						
2004 Special Assessment Bonds						
Amount of Issue - \$290,000		\$15,000 -				
Maturing through 2014	4.50%	\$35,000	<u>\$ 215,000</u>	<u>\$ (30,000)</u>	<u>\$ 185,000</u>	<u>\$ 30,000</u>
LCB&T Land Note Payable						
Amount of Issue - \$39,500		\$6,947 -				
Maturing through 2009	2.75%	\$8,170	<u>\$ 15,117</u>	<u>\$ (8,170)</u>	<u>\$ 6,947</u>	<u>\$ 6,947</u>
LCB&T Fire Hall Note Payable						
Amount of Issue - \$615,000		\$87,565 -				
Maturing through 2009	3.90%	\$88,149	<u>\$ 175,714</u>	<u>\$ (88,149)</u>	<u>\$ 87,565</u>	<u>\$ 87,565</u>
Total General Obligation Bonds & Notes Payable			<u><u>\$ 405,831</u></u>	<u><u>\$ (126,319)</u></u>	<u><u>\$ 279,512</u></u>	<u><u>\$ 124,512</u></u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 124,512	\$ 10,242	\$ 134,754
2010	30,000	5,667	35,667
2011	30,000	4,543	34,543
2012	30,000	3,365	33,365
2013	30,000	2,135	32,135
2014	<u>35,000</u>	<u>753</u>	<u>35,753</u>
Total	<u><u>\$ 279,512</u></u>	<u><u>\$ 26,705</u></u>	<u><u>\$ 306,217</u></u>

8. Pension Plan

The Township has a single-employer defined contribution pension plan covering all eligible employees who wish to participate. Investments are made through Manufacturers Life Insurance Company. Benefits are immediately 100 percent vested with the benefit payable at age 65 (normal retirement age), or after 10 years of participation or age 80, if sooner. Contributions to the plan during the year ended June 30, 2008, amounted to \$24,721.

The Township also has a 457 Deferred Compensation Plan. The plan is offered to all eligible individuals and investments are made through Harbour Investments. As of June 30, 2008, no employees of the Township were participating in the plan.

9. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

Township of Attica
Notes to the Financial Statements
For The Year Ended June 30, 2008

10. Comparative Data

Comparative total data for the prior year has not been presented.

11. Library Lease

The Township renewed a three-year lease with Ruth Hughes Memorial Library. The Library will pay \$1,000 a year and five percent of the fire hall bill for natural gas. The future minimum lease payments to be received for the years ending June 30, 2009 – June 30, 2011 are \$3,000.

12. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Attica
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2008

	General Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 265,290.00	\$ 265,290.00	\$ 272,094.10	\$ 6,804.10
State Shared Revenues	280,000.00	280,000.00	320,229.00	40,229.00
Charges for Services	72,050.00	72,050.00	48,020.93	(24,029.07)
Interest Earnings	9,000.00	9,000.00	13,510.88	4,510.88
Other Revenues	12,200.00	12,200.00	16,574.58	4,374.58
<u>Total Revenues</u>	<u>638,540.00</u>	<u>638,540.00</u>	<u>670,429.49</u>	<u>31,889.49</u>
<u>Expenditures</u>				
General Government				
Township Board	29,301.50	29,301.50	28,409.52	891.98
Clerk	45,135.00	45,135.00	39,208.31	5,926.69
Treasurer	42,070.00	42,753.00	41,547.35	1,205.65
Supervisor	33,400.00	35,515.00	35,515.26	(0.26)
Assessor	23,000.00	23,599.00	23,598.88	0.12
Elections	8,025.00	8,025.00	4,982.12	3,042.88
Professional Services	19,000.00	19,200.00	16,997.67	2,202.33
Board of Review	1,200.00	1,200.00	1,196.72	3.28
Township Hall Expense	73,450.00	73,450.00	53,333.67	20,116.33
Insurance & Pension	39,500.00	39,500.00	36,682.26	2,817.74
Cemetery	24,000.00	29,329.00	28,129.18	1,199.82
<u>Total General Government</u>	<u>338,081.50</u>	<u>347,007.50</u>	<u>309,600.94</u>	<u>37,406.56</u>
Public Safety				
Planning & Zoning	41,025.00	41,025.00	31,130.01	9,894.99
Emergency Response	14,034.00	14,034.00	14,034.00	-
Street Lights	5,244.00	5,244.00	4,746.85	497.15
Board of Appeals	8,625.00	8,625.00	4,940.46	3,684.54
<u>Total Public Safety</u>	<u>68,928.00</u>	<u>68,928.00</u>	<u>54,851.32</u>	<u>14,076.68</u>
Public Works - Roads & Drains	<u>197,000.00</u>	<u>203,651.00</u>	<u>277,542.13</u>	<u>(73,891.13)</u>
Recreation & Culture	<u>24,700.00</u>	<u>37,233.00</u>	<u>36,362.96</u>	<u>870.04</u>
Capital Outlay	<u>16,700.00</u>	<u>16,700.00</u>	<u>16,605.88</u>	<u>94.12</u>
Debt Service - Principal	<u>8,200.00</u>	<u>8,200.00</u>	<u>8,169.84</u>	<u>30.16</u>
Debt Service - Interest	<u>300.00</u>	<u>300.00</u>	<u>294.72</u>	<u>5.28</u>
<u>Total Expenditures</u>	<u>653,909.50</u>	<u>682,019.50</u>	<u>703,427.79</u>	<u>(21,408.29)</u>
Excess of Revenues Over (Under) Expenditures	(15,369.50)	(43,479.50)	(32,998.30)	10,481.20
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	(2,508.16)	(2,508.16)
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	(15,369.50)	(43,479.50)	(35,506.46)	7,973.04
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>437,832.84</u>	<u>437,832.84</u>
<u>Fund Balance - End of Year</u>	<u>\$ (15,369.50)</u>	<u>\$ (43,479.50)</u>	<u>\$ 402,326.38</u>	<u>\$ 445,805.88</u>

Township of Attica
 Budgetary Comparison Schedule
 Public Safety Millage Fund
 For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Public Safety Millage	\$ 158,212.00	\$ 158,212.00	\$ 158,067.89	\$ (144.11)
Interest Earnings	-	-	192.97	192.97
<u>Total Revenues</u>	<u>158,212.00</u>	<u>158,212.00</u>	<u>158,260.86</u>	<u>48.86</u>
<u>Expenditures</u>				
Public Safety	120,000.00	124,957.00	121,691.64	3,265.36
Debt Service - Principal	87,811.00	88,200.00	88,149.33	50.67
Debt Service - Interest	6,900.00	6,900.00	6,852.84	47.16
<u>Total Expenditures</u>	<u>214,711.00</u>	<u>220,057.00</u>	<u>216,693.81</u>	<u>3,363.19</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(56,499.00)	(61,845.00)	(58,432.95)	3,412.05
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	2,508.16	2,508.16
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	(56,499.00)	(61,845.00)	(55,924.79)	5,920.21
<u>Fund Balance - Beginning of Year</u>	-	-	76,421.94	76,421.94
<u>Fund Balance - End of Year</u>	<u>\$ (56,499.00)</u>	<u>\$ (61,845.00)</u>	<u>\$ 20,497.15</u>	<u>\$ 82,342.15</u>

Township of Attica
 Budgetary Comparison Schedule
 Fire Millage Fund
 For The Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Fire Millage	\$ 139,163.00	\$ 139,163.00	\$ 142,907.38	\$ 3,744.38
Charges for Service	-	-	26,669.45	26,669.45
<u>Total Revenues</u>	<u>139,163.00</u>	<u>139,163.00</u>	<u>169,576.83</u>	<u>30,413.83</u>
<u>Expenditures</u>				
Wages & Payroll Taxes	55,600.00	55,600.00	54,182.95	1,417.05
Administration	33,250.00	33,250.00	29,735.58	3,514.42
Operating Expenditures	<u>50,313.00</u>	<u>50,313.00</u>	<u>27,637.44</u>	<u>22,675.56</u>
<u>Total Expenditures</u>	<u>139,163.00</u>	<u>139,163.00</u>	<u>111,555.97</u>	<u>27,607.03</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	58,020.86	58,020.86
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	-	-	58,020.86	58,020.86
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>(70,570.70)</u>	<u>(70,570.70)</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,549.84)</u>	<u>\$ (12,549.84)</u>

Township of Attica
 Budgetary Comparison Schedule
 Lake George Special Assessment Debt Service Fund
 For The Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Special Assessment	\$ -	\$ -	\$ 35,356.96	\$ 35,356.96
Interest Earnings	-	-	7.28	7.28
<u>Total Revenues</u>	-	-	35,364.24	35,364.24
<u>Expenditures</u>				
Miscellaneous	-	-	279.73	(279.73)
Debt Service - Principal	-	-	30,000.00	(30,000.00)
Debt Service - Interest	-	-	8,255.00	(8,255.00)
<u>Total Expenditures</u>	-	-	38,534.73	(38,534.73)
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	(3,170.49)	(3,170.49)
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	-	-	(3,170.49)	(3,170.49)
<u>Fund Balance - Beginning of Year</u>	-	-	6,861.92	6,861.92
<u>Fund Balance - End of Year</u>	\$ -	\$ -	\$ 3,691.43	\$ 3,691.43

Other Supplemental Information

Township of Attica

Other Supplemental Information Schedule of Indebtedness June 30, 2008

2004 Special Assessment Bonds Lake George Special Assessment Annual Payment Due June 30

Dated: July 8, 2004
Original Issue: \$290,000

Interest Range	Date of Maturity	Principal Outstanding June 30,		Remaining Annual Interest Payable
		2008	2007	
4.50%	6/30/2008	\$ -	\$ 30,000	\$ -
4.50%	6/30/2009	30,000	30,000	6,725
4.50%	6/30/2010	30,000	30,000	5,667
4.50%	6/30/2011	30,000	30,000	4,543
4.50%	6/30/2012	30,000	30,000	3,365
4.50%	6/30/2013	30,000	30,000	2,135
4.50%	6/30/2014	35,000	35,000	753
<u>Total Bonds Payable</u>		<u>\$ 185,000</u>	<u>\$ 215,000</u>	<u>\$ 23,188</u>

Lapeer County Bank & Trust Land Purchase General Obligation Note Payable Monthly Payments Due

Dated: March 1, 2004
Original Issue: \$39,500

Interest Range	Date of Maturity	Principal Outstanding June 30,		Remaining Annual Interest Payable
		2008	2007	
2.75%	6/30/2007	\$ -	\$ 8,170	\$ -
2.75%	6/30/2011	6,947	6,947	102
<u>Total General Obligation Note Payable</u>		<u>\$ 6,947</u>	<u>\$ 15,117</u>	<u>\$ 102</u>

Lapeer County Bank & Trust Fire Hall General Obligation Note Payable Annual Payment Due April 1

Dated: May 17, 2000
Original Issue: \$615,000

Interest Range	Date of Maturity	Principal Outstanding June 30,		Remaining Annual Interest Payable
		2008	2007	
3.90%	4/1/2008	\$ -	\$ 88,149	\$ -
3.90%	4/1/2009	87,565	87,565	3,415
<u>Total General Obligation Note Payable</u>		<u>\$ 87,565</u>	<u>\$ 175,714</u>	<u>\$ 3,415</u>
<u>Total Bonds & General Obligation Notes Payable</u>		<u>\$ 279,512</u>	<u>\$ 405,831</u>	<u>\$ 26,705</u>

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

September 10, 2008

Attica Township
P.O. Box 86
Attica, Michigan 48412

To the Members of the Board:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Attica for the year ended June 30, 2008, and have issued my report thereon dated September 10, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated June 28, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Attica are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated September 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing my audit of the financial statements, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the Township of Attica's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

Preparation of Financial Statements - Management prepares internal financial information to assess operations and the financial position of the Township of Attica on an ongoing basis. Although the internal financial information is sufficient to operate the Township, it is not presented in accordance with generally accepted accounting principles. The Township contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

Accrual Adjustments – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

Segregation of Duties - The relative size of the Township of Attica limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Township has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Attica Township's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Attica Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported.

In accordance with your request, I have made an examination of the financial statements of Attica Township for the fiscal year ended March 31, 2008. During the course of my examination, the following material items came to my attention:

- 1) It is my opinion that the Tax Account should be zeroed out as of the end of the fiscal year. The Tax Account is a Trust and Agency Account and should distribute the funds to the appropriate Agency or Government Fund within a reasonable amount of time.
- 2) It is my opinion that the Special Revenue Funds, Public Safety Millage and Fire Millage Funds, have their own, separate bank accounts to properly account for the activity of the funds. In addition to this, these funds need to be setup in the Township's accounting system. This will allow the Township to keep a running record of the Fund Balance from year to year.
- 3) The Tax Account is currently being accounted within the General Fund in the accounting system. All Trust and Agency Funds should be separated from the General Fund in their own, separate Funds.
- 4) Per P.A. 621 of 1968, the Board does not have authorization to spend money until the budget is officially enacted by the Board. This must be done prior to April 1. This budget should be included with the Minutes of the Township. The budget must be amended prior to the expenditure exceeding the budgeted item.
- 5) The contracted positions within the Township should be evidenced by a written contract. Contracts should be current and up-to-date. The current contract for the Sexton is dated 1997.

- 6) In order to strengthen the internal control, there needs to be a better audit trail for the firemen wages. For the control to be effective there needs to be a link from the individual runs to the paying of the payroll wages. The firemen need to sign the incident reports to evidence their presence. There should be a clear trail from the incident reports to a cover sheet for the pay period to the payroll checks distributed.

This report is intended solely for the information and use of management, the Board of the Township of Attica, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant